So the general effect is one of a fairly comfortable position for State and local governments under systems as they exist now, including an increase in Federal grants from the present level of around $17 billion to about $30 billion by 1975. State and local governments will be able to finance a lot of governmental services without any change either in their own taxing or revenue from the Federal Government.

These estimates assume a rise in total State and local government employment of something over 2 million people, and an average increase in earnings per State-local government employee, an increase of $2,855, as contrasted with $2,000 in the last decade. That is, almost $2,900 increase in average salary in State and local government employees is built into these expenditure projections.

In closing, I have some general points. They are not precisely on the subject of financial projections, about which I was asked to talk. State and local governments will be disposing of a great deal of money by that time on programs many of which will have margins that cannot be very urgent. The programs will be satisfying needs which are not the kind that we can call compelling at all margins, in all respects. Therefore, if there does seem to be pressing desire for some additional activity, or some new urgencies, it is not at all impossible that reduction at some of these other margins is at least a conceivable alternative. Not everything that will be getting this expenditure in 1975 can be of a very high order of importance.

The second point is that as expenditures and revenues rise, the importance of looking for efficiency in State and local government expenditures increases. More money is at stake. And when revenue pressure eases, one of the insistent forces making for economy will be reduced.

The third point, the exception noted earlier on which I have some qualifications, grows out of the apparent increasing effectiveness of some groups of State-local government employees in getting salary increases. We may call it militancy. I hate to use colored terms. But the ability of governmental employees when they are organized to get more and more salary may present a very serious problem for us. State-local governments are not businesses threatened with bankruptcy if productivity does not increase in line with employment. We do not yet have ways of dealing with this problem. And since salaries are the most important cost of government, this is an area that is going to call for a lot of concern.

Frankly, I can imagine cases in which organized groups of employees, seeing good prospects of increased revenue, whether the property tax or Federal grants, attempting to "latch on" to any revenue availability and getting much of it. Such may be desirable. But it is a phenomenon which I think is somewhat different in nature and degree from what we have experienced in the past. For the record, however, let me also state that many of us may be overimpressed by the temporary thing, conditions of the moment—for instance, New York teachers theatening a strike, New York welfare workers striking, and so forth. For me they may be a little too close to home for proper perspective. But I do see a basis for concern.

Another point, the built-in increases assumed in these projections do not necessarily assume that the patterns are most constructive. At least in principle, I have great sympathy for trying to make grant